

VZCZCXRO1621

PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR

DE RUEHNC #0838/01 1590436

ZNY CCCCC ZZH

P 080436Z JUN 06

FM AMEMBASSY NICOSIA

TO RUEHC/SECSTATE WASHDC PRIORITY 6130

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

RUCNDT/USMISSION USUN NEW YORK 0561

C O N F I D E N T I A L SECTION 01 OF 03 NICOSIA 000838

SIPDIS

SIPDIS

E.O. 12958: DECL: 06/06/2016

TAGS: [PGOV](#) [PREL](#) [EUN](#) [TU](#) [CY](#)

SUBJECT: TURKISH CYPRIOTS LAY DOWN MARKERS ON PORTS/TRADE;
SOMEWHAT MORE POSITIVE ON UN TRACK

REF: A. NICOSIA 698

- [¶B.](#) BRUSSELS 1667
- [¶C.](#) LIBBY-EUR/SE EMAIL
- [¶D.](#) NICOSIA 816
- [¶E.](#) NICOSIA 113
- [¶F.](#) NICOSIA 781
- [¶G.](#) ANKARA 3265
- [¶H.](#) NICOSIA 47

Classified By: Ambassador Ronald Schlicher, reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. According to the Turkish Cypriots, June 1 talks in Vienna between "TRNC President" Talat's U/S Rasit Pertev and representatives of the Austrian Presidency explored ways to move forward on question of EU direct trade measures for the Turkish Cypriots. The Austrians, keen on averting an accession "train wreck" with the Turks (refs a and b), reportedly sought to reconcile Greek Cypriot and Turkish Cypriot demands by suggesting a deal involving direct trade through Famagusta port in exchange for some kind of opening of Varosha, EC inspectors at the port, and a UN role in administering law and justice there. The Turkish Cypriots report that the idea floated by the Austrians was a non-starter, however. Turkish Cypriot prickliness about "sovereignty," parochial economic concerns, and a decidedly unhelpful attitude from Ankara all mean that Talat will likely bargain hard in any haggling over direct trade -- insisting on elements that would likely make the deal unacceptable to the Greek Cypriots. Furthermore, given the shortcomings and delays that plague the EU's Green Line Regulation and its financial aid for the Turkish Cypriots, Talat doubts the EC can implement any direct trade measure fairly even if a deal is reached (ref c). Convinced that no good can come of flexibility with the EU -- and paranoid over Papadopoulos's ability to outflank them at every turn -- the Turkish Cypriots have settled into a defensive crouch. This has allowed the Greek Cypriots to paint them successfully as the intransigent party with the international community. This same Turkish Cypriot defensiveness is also undermining progress in the UN-led negotiations on establishing technical committees. UN SRSG Moller told us he could not understand why the Turkish Cypriots were not more supportive of the technical talks process. Having reached an impasse in negotiations on an overall text, Moller was now trying to persuade the parties to allow at least two of the committees to begin work before UN U/S Gambari visits the island in early July. END SUMMARY.

VIENNA'S TRIAL BALLOON

¶2. (C) During a June 1 visit to Vienna by "TRNC President" Talat's Under Secretary Rasit Pertev, the Austrian Presidency reportedly discussed a possible deal to allow passage of the EU's long-delayed direct trade measure for the Turkish Cypriots. Direct trade is a priority for the "TRNC"

leadership, which feels that the EU has failed to keep its 2004 commitment to allow trade with the north as a reward for Turkish Cypriot support of the Annan Plan. According to the Turkish Cypriots, the Austrians acknowledged the need to live up to this "promise," especially because Ankara needed cover to open its own ports to Cypriot vessels and avoid an accession meltdown this fall.

¶ 13. (C) In a June 6 meeting with the Ambassador, Talat and Pertev characterized the Vienna talks as a bust. In a separate meeting, Talat's EU advisor Erhan Ercin specified that the Austrians had floated the idea of allowing direct trade through the north's Famagusta port in exchange for some kind of opening/return of Varosha, an EC role in the inspection and certification of goods being traded through Famagusta, and a UN role in the administration of law and justice inside the port. The two sides also discussed the possibility of expanding direct trade measures to allow transshipment of third-country goods via the north.

TRADE DEAL: "MISSION IMPOSSIBLE?"

¶ 14. (C) The Turkish Cypriots reacted coolly. In public statements immediately after his meetings, Pertev sounded truculent. He praised Austria's efforts to secure a deal but, in an eerie echo of Papadopoulos's position regarding Turkey's commitments to open its ports to ROC vessels, stressed that direct trade was a commitment the EU had already made. Indeed, Pertev called direct trade a Turkish Cypriot "right" for which they would not "bargain," a sentiment he repeated later to the Ambassador. Privately, Talat's private secretary Asim Akansoy sounded more flexible about his boss's willingness to negotiate for trade, but he was downbeat this would lead anywhere. There were too many

NICOSIA 00000838 002 OF 003

deal-breakers (and too few sweeteners) for the Turkish Cypriots among the Austrians' ideas, which "closely tracked" Greek Cypriot positions.

¶ 15. (C) According to both Akansoy and Ercin, UN administration of law and justice at the Famagusta port was a non-starter, even though the Turkish Cypriots would be willing to allow Commission inspectors at the port to ensure compliance with EU regulations. But a UN law-and-order role would involve the surrender of "sovereignty" in the port, which the Turkish Cypriots say has been "theirs" for "hundreds of years" -- and which all settlement plans, including Annan, would have left under their control. Adding insult to injury, according to Ercin, is the fact that any arrangement allowing the UN to assume control of the port would involve a formal agreement between UNFICYP and the ROC, explicitly acknowledging Greek Cypriot formal "ownership" of the port and, in effect, enlarging the UN-controlled Buffer Zone at Turkish Cypriot expense. In his public statement in Vienna, Pertev echoed this sentiment, saying that the Turkish Cypriots could accept UN control over all the island's ports (including, unrealistically, those in the south), but not in Famagusta alone.

¶ 16. (C) Varosha, which the Greek Cypriots have repeatedly identified as a sine quo non for any direct trade deal, is also off the table, according to Talat. The fate of the fenced-off area (which is also frequently called simply "Famagusta" by the Greek Cypriot press, thus confusing the uninitiated in Brussels and at the UN) is a settlement-related question and can be solved only in the context of high-level UN-brokered talks. Talat's advisors also stress that, since Varosha is their biggest bargaining chip (ref e), the Turkish Cypriots would need to be assured of "a whole lot more" (such as the authorization of direct flights between the north's Ercan Airport and the EU) if they were to give it up.

¶ 17. (C) Pertev told the Ambassador that the Austrians had

experienced a "rude awakening" about how difficult it would be to reach a deal on direct trade, since making a direct trade deal palatable to one side automatically rendered it unacceptable to the other. A trade/Famagusta/Varosha package seemed like "Mission Impossible," one Austrian official reportedly told him.

¶8. (C) A further complication, according to several Turkish Cypriot sources, is that Talat has begun to doubt the feasibility of direct trade with the EU even if a deal could be reached. Pointing to serious limitations in the "malfunctioning" Green Line Regulation, and recalling the delays and problems with implementation of the EU's financial aid package (ref f), Ercin told us that the Turkish Cypriot leadership was suffering from a "crisis of confidence" with the Commission. The EC had proven unsuccessful, he contended, in resisting Greek Cypriot pressure to water down these measures; the Turkish Cypriots had no reason to think that the implementation of direct trade would be any better. This made it increasingly difficult for Talat to make any concessions in order to get trade -- especially with the nationalist "FM" Serdar Denktash noisily pressing his "government" partners to take a harder line with the EU.

TURKISH CYPRIOTS HESITANT WITH THE EU...

¶9. (C) There are other factors that make the Turkish Cypriots reluctant to accept the Austrian offer. The well-connected shippers who currently use the Famagusta port enjoy a cozy monopoly, which the instinctively market-wary Turkish Cypriot authorities are hesitant to tamper with. A greater EU or UN role in the port would certainly disrupt this arrangement. Furthermore, sources close to Talat confess that the Turkish government is not encouraging the Turkish Cypriots to think creatively or offer concessions to unblock trade. Indeed, we have heard from several sources that the GOT, visiting AKP delegations, and the local Turkish ambassador have all encouraged Talat to take a generally harder line -- and promised him that Turkey won't "sell out" the Turkish Cypriots by moderating its demand for an end to isolation. Turkish Cypriot leaders are unanimous in the belief that Turkey is ready to freeze its accession process rather than give into ROC demands for the unilateral opening of mainland ports (ref g). This hardly encourages Talat to be flexible.

¶10. (C) It is a common mistake, however, to lay all the blame for Turkish Cypriot policies on Turkey's doorstep. Although he is not a truly independent actor, Talat nonetheless enjoys more room for maneuver than many outsiders give him credit for (ref h). His prickliness over Turkish Cypriot "sovereignty" is a heart-felt, home-grown phenomenon that

NICOSIA 00000838 003 OF 003

resonates strongly with the electorate on whose support he and his "government" rely. Spurned by the Greek Cypriot rejection of the Annan Plan and angry over the ROC's continued policy of isolating them, Turkish Cypriot voters are increasingly happy to see their leadership flip the bird when foreigners press them for more "concessions."

...AND WITH THE UN

¶11. (C) The increasingly obvious chip on the collective Turkish Cypriot shoulder not only makes talks with the EU more difficult, but also undercuts the UN-backed effort to kick-start technical committees -- with the Turkish Cypriots pitching a fit over seemingly minor points of terminology, and vigorously resisting Greek Cypriot efforts to include broader "substantive" issues on the technical agenda. Although Talat expressed cautious optimism that the technical committees would eventually start working, SRSG Michael Moller told the Ambassador on June 6 that he remained puzzled by the unconstructive stance the Turkish Cypriot side had adopted in the talks.

¶12. (C) As far as Moller could see, the Turkish Cypriot position in the talks only made sense if their ultimate goal was partition rather than reunification. Moller said that he had made this point to both Talat and Pertev and had told them "if that's really what you're after, put it on the table so we can talk about it openly." Both Talat and Pertev had denied to Moller that they were pursuing a stealth separatist agenda. Moller told Ambassador on the evening of June 6 that this implied suggestion that the technical committees process had reached a dead end might actually spur the Turkish Cypriots to move forward, since the prospect of being accused by the UN of having a separatist agenda would be a diplomatic disaster for the Turkish Cypriots.

¶13. (C) Moller said that he was ready to put aside the so-far unsuccessful negotiations on a text that would guide the overall process of technical talks, and was pushing the parties to agree to a verbal announcement that at least two of the committees would begin work. Crime was an acceptable topic for both sides, but discussions on an economics committee had encountered "choppy waters." The Greek Cypriot side had proposed a fairly expansive set of themes for this committee, while Pertev insisted on something much more restrictive. Moller was thinking of introducing a third committee -- dealing with cultural and religious sites -- to help balance the package. Moller was again critical of the overall Turkish Cypriot approach. The original concept had been that the committees would start working on everyday issues while the "steering committee" -- Moller, Pertev and President Papadopoulos's Diplomatic Advisor Tasos Tzionis -- would explore the options in more contentious, political areas. UN U/S Gambari was planning to visit Cyprus sometime between July 3-9. This was a hard deadline for the technical committee process. Both parties should want to have some kind of agreement in place to avoid a negative assessment by Gambari.

COMMENT

¶14. (C) Since 2004, the Turkish Cypriots have been content to sit on their laurels and bask in their reputation as the side that voted "yes." As the memory of 2004 fades, and anger grows over the fact that their pro-settlement policies rhetoric and gestures have not been reciprocated, Turkish Cypriot interest in creative steps to keep the initiative (such as opening churches in the north or unilaterally setting up new Green Line crossings) has flagged visibly; Denkstash-style positions and rhetoric are occasionally being sounded. Greek Cypriot success at outflanking them in Paris and Brussels -- and at painting them as hot-headed rejectionists on Cyprus and in Europe -- has made Talat and his "government" touchy and paranoid. The Turkish Cypriots have settled into a defensive crouch that does not bode well for future negotiations with either the EU or UN. The best way for the Turkish Cypriot to turn the tables and regain the political high ground is to find a way to start the technical committees, float positive ideas on how to re-engage in a broader political process, and be flexible and positive with the EU in order to get some kind of direct trade. At this point, this is a tall order. END SUMMARY.

SCHLICHER